

19.2.2 Small loans companies

Small loans companies and money-lenders are subject to the Small Loans Act (RSC 1970, c.S-11). This Act, first passed in 1939, sets maximum charges on personal cash loans not in excess of \$1,500 and is administered by the Department of Insurance. Lenders not licensed under the Act may not charge more than 1% per month. Those wishing to make small loans at higher rates must be licensed each year by the Minister of Finance under the Small Loans Act. The Act allows maximum rates, including charges of every kind, of 2% per month on unpaid balances not exceeding \$300, 1% per month on the portion of unpaid balances exceeding \$300 but not exceeding \$1,000 and one half of 1% on any remainder of the balance exceeding \$1,000. Loans in excess of \$1,500 are not regulated and lenders operating entirely above this limit and the larger loans of licensed lenders are thus exempt from the Act. Nor does the Act regulate charges for the instalment financing of sales. Prior to January 1, 1957, the Act applied only to loans of \$500 or less and the maximum interest charge allowed was 2% per month.

At the end of 1973, there were four small loans companies and 39 money-lenders licensed under the Act. Small loans companies are incorporated federally; money-lenders include provincially incorporated companies. Many of the small loans companies and money-lenders are affiliated with other financial institutions, principally Canadian sales finance companies and United States finance or loan companies. The affiliations with sales finance companies reflect the close relationship between instalment financing and the consumer loan business.

Statistics Canada publishes quarterly balance sheets for sales finance and consumer loan companies as a whole and does not attempt to distinguish the two groups within the industry (see *Financial institutions*, Catalogue No. 61-006).

The subsidiary small loans companies and money-lenders obtain most of their funds through their parent companies. A few of the larger companies have supplemented their bank loans by selling short-term paper in the market but the amount has been small compared with the short-term market borrowing of the sales finance companies. The smaller independent companies rely mainly on their shareholders and on borrowing from the chartered banks.

Annual figures of assets and liabilities given in Table 19.23 for 1972 and 1973 are from the Department of Insurance report. More complete data on the business of licensed lenders are given in the report on small loans companies and money-lenders, published annually by the Superintendent of Insurance.

There was a marked decrease in 1973 compared with 1972 in the number and amount of small loans made by the combined companies. Small loans made to the public during the year numbered 803,674 as against 867,060 in 1972, a drop of about 7%; the amount of such loans decreased from \$539.4 million to \$499.3 million, a drop of about 7%. The average small loan made was \$621 in 1973 and \$622 in 1972. At the end of the year, small loans outstanding numbered 675,464 for an amount of \$340.7 million, or an average of \$504 per loan; comparable figures for 1972 were 758,979, \$383.1 million and \$505, respectively.

Gross profits of small loans companies and money-lenders before income taxes and before taking into account any increase or decrease in reserves for bad debts increased from \$64.7 million in 1972 (\$344,000 being the loss on small loans and \$65.0 million the profit on business other than small loans) to \$65.9 million in 1973 (\$604,000 being the gain on small loans and \$65.3 million the profit on other business).

19.2.3 Foreign exchange

The dollar was established as the official currency of the united provinces of Canada on January 1, 1858, and extended to cover the new Dominion by the Uniform Currency Act of 1870. The gold sovereign remained the standard for the Canadian dollar until 1910 when the currency was defined in terms of fine gold, making it the exact gold equivalent of the United States dollar. Both British and US gold coins, however, were legal tender in Canada during this period.

The 1870 Act defined the Canadian dollar as 15/73 of the British gold sovereign, that is, the par rate of exchange between the dollar and the pound sterling was fixed at \$4.866, making the Canadian currency the equivalent of the US dollar at parity. With minor variations the value of the pound sterling in Canada remained at this level until 1914.

For a complete description of the fluctuations between the Canadian and US dollars up to 1950 see the *1972 Canada Year Book* pp 1252-1254.